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Agenda item 140

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Report of the Advisory Committee on Administrative and Budgetary Questions

1. At its spring session of 1997, the Advisory Committee on Administrative and Budgetary Questions, in accordance with the budgetary cycle established by the General Assembly in its resolution 49/233 A of 23 December 1994, considered the reports of the Secretary-General on the financing of the following United Nations peacekeeping operations: United Nations Observer Mission in Liberia (UNOMIL), United Nations Mission for the Verification of Human Rights and of Compliance with the Commitments of the Comprehensive Agreement on Human Rights in Guatemala (MINUGUA), United Nations Mission of Observers in Tajikistan (UNMOT), United Nations Peacekeeping Force in Cyprus (UNFICYP), United Nations Disengagement Observer Force/United Nations Interim Force in Lebanon (UNDOF/UNIFIL), United Nations Mission for the Referendum in Western Sahara (MINURSO), United Nations Iraq-Kuwait Observation Mission (UNIKOM), United Nations Observer Mission in Georgia (UNOMIG), United Nations Mission in Haiti/United Nations Support Mission in Haiti (UNMIH/UNSMIH), United Nations Protection Force (UNPROFOR),United Nations Confidence Restoration Operation in Croatia (UNCRO), United Nations Preventive Deployment Force (UNPREDEP), United Nations Peace Forces (UNPF), United Nations Mission in Bosnia and Herzegovina (UNMIBH) and United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES). The Committee's observations and recommendations on those operations are contained in reports that are being issued separately.

2. The consideration by the Advisory Committee of the reports of the Secretary-General on the financing of peacekeeping operations mentioned in the above paragraph has given rise to a number of general observations and recommendations that pertain to most, if not all, peacekeeping operations and are set out below.

3. The work of the Advisory Committee has been assisted by the presence, in a number of instances, of the chief administrative officers of the various missions.

4. The Advisory Committee points out that the process of the preparation and consideration of reports on the financing of the United Nations peacekeeping operations has greatly benefited from General Assembly resolution 49/233. The number of reports has been substantially reduced, while, at the same time, it has become increasingly possible to foresee more accurately, for a given budget period, resource requirements for peacekeeping operations. The introduction of the Standard Cost and Ratio Manual has greatly facilitated the preparation of budget documents. However, more remains to be done concerning the explanation of mission-specific ratios and other variants from the standards. The Committee points out that all significant variations (for example, 10 per cent and more) from standard costs, from

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assumptions used in previous cost estimates and from approved resources under each budget line should be clearly explained and justified.

5. The new format of budget documents for peacekeeping operations has been considerably improved, although some significant problems remain yet to be resolved. One of these is that the quality of information contained in budget documents needs to be further improved through the elimination of repetitious and/or insignificant information. Moreover, the data supplied should be clearly related to the requests for resources, which should be explained and justified in a consistent and transparent manner. The Advisory Committee has noted that the quality of budget presentation is uneven, with serious difficulties in some reports, while others, such as those for UNTAES, UNOMIG and MINURSO were more complete. Budget documents should have a consistent and standardized structure and offices at Headquarters should be able to rely on complete and accurate information from the field (see para. 13 below).

6. The Advisory Committee points out that up-to-date financial performance data for the current period should be included in the reports on cost estimates for the coming financial period, as originally recommended by the Committee and requested by the General Assembly in resolution 49/233 A, section I, paragraph 6. While the Committee has, in a number of instances, been provided with such data, more should be done to increase their reliability.

7. While information is now included on the implementation of the recommendations of the Advisory Committee, performance reports and budget estimates should also contain information on the implementation of previous recommendations of the Board of Auditors. Where applicable, information should also be provided on steps taken to respond to concerns raised by the Office of Internal Oversight Services (OIOS). Furthermore, performance reports should include an inventory of mission assets, both at the beginning and at the end of the reporting period concerned, disclosing the reasons for changes in inventory. Mission assets should be reported in the same level of detail as when they were budgeted and approved. With respect to assets being transferred to the United Nations Logistics Base at Brindisi and/or other missions, the reports should clearly indicate the value of assets in inventory, related expenses for transportation, storage and processing, as well as the technical condition of assets being transferred.

8. Performance reports include large amounts of unliquidated obligations, a significant portion of which may well be subsequently cancelled. These are often related to the numerous delays in settling claims with Governments and commercial contractors. Similarly, the Advisory Committee has noted a pattern of significant "roll-overs" in a number of budgets. While the uncertainties of peacekeeping can explain some of this, it is also indicative of the need to refine budgetary forecasting and estimating techniques. The Advisory Committee recommends that the Secretary-General pay greater attention to the procedures for raising obligations so as to ensure their timely review for verification of their continuing validity.

9. Another problem relating to the operation of the accounting and budgeting systems of peacekeeping operations stems, in the view of the Committee, from the lack of control by the administration in the field and at Headquarters over the budget implementation; too often savings are used to offset expenditures not specifically reported to and authorized by the General Assembly. The Advisory Committee believes that the current method of approving budgets for peacekeeping operations as an overall amount as opposed to authorizing several budget lines continues to be the most practical. The Advisory Committee is concerned, however, that the administration in the field and at Headquarters allows rather loose interpretation of flexibility permitted, which leads to the financing of expenditures that should have been brought to the attention of the Advisory Committee and, in some cases, the General Assembly as well.

10. The Advisory Committee is of the view that there is a need to improve accounting of proceeds resulting from the sale of property, which, in accordance with rule 110.37 of the Financial Regulations and Rules of the United Nations should be treated as miscellaneous income. The Advisory Committee recalls, in this connection, that it recommended against the procedure followed by the Secretariat in settlement of accounts for equipment, rations and services provided to the Implementation Force (IFOR).

11. More should be done, in the view of the Committee, to improve consistent treatment and reporting of voluntary contributions. The reports on the financing of peacekeeping operations should indicate more clearly voluntary contributions that are to finance mandated activities, as distinguished from those activities which are considered complementary or not specifically mandated. Furthermore, there is a need to reflect in a consistent manner under miscellaneous income all revenue accrued on voluntary contributions.

12. The Advisory Committee notes a lack of information on coordination and cooperation among organizations, programmes, funds and agencies of the United Nations system on administrative issues, such as rental of

accommodation and vehicles, hiring of local staff and dealing with local authorities. There is a need to delineate more clearly the role of special representatives of the Secretary-General vis-à-vis representatives of other organizations, programmes, funds and agencies of the United Nations system in coordinating activities in the area of operation.

13. The problems described in paragraphs 8 to 12 above, especially the unreliability of performance and inventory data and the lack, in a number of instances, of relevant information on resource requirements, lead very often to a time-consuming effort by the Advisory Committee to obtain additional information and clarification from the Secretariat. Since officials at Headquarters rely for their information on their counterparts in the field, it is essential to improve the administrative and management techniques in the peacekeeping operations. Recent introduction of new technology should help once problems of interface of field systems with existing Headquarters information systems have been resolved. The Advisory Committee believes that, in order to achieve progress in the planning, budgeting and reporting techniques of peacekeeping financing, the role of administrative offices of peacekeeping operations in the preparation of cost estimates and budget performance reports should be enhanced; most preparatory work for budget documents should be done in the field on the basis of standard forms and tables sent from Headquarters.

14. The Advisory Committee believes that it is essential to ensure assignment of qualified United Nations staff to the field administrative offices to work in the area of finance, accounting and budget preparation. The Committee recommends, therefore, that the Secretariat prepare a roster of candidates for administrative positions in the field who should undertake specific training relevant to all aspects of tasks assigned to administration in peacekeeping operations.

15. It is also essential to ensure that qualified and experienced personnel provided to field missions stay long enough to be able to apply the institutional knowledge they have acquired in a particular mission. This is especially important in the liquidation phase of a mission, a time when proper disposition of assets and final accounting involves significant resources of the Organization. In this connection, proper personnel management should ensure that, upon their return, there should be successful reintegration in a manner that will both take full advantage of the skills acquired and promote the career aspirations of such staff.

16. The Advisory Committee is also of the view that steps should be taken to enhance cooperation and coordination between the United Nations administration in the field and the military, in particular on issues that might involve financial and/or legal implications for the United Nations.

17. Moreover, in the opinion of the Advisory Committee, additional measures need to be taken to effect control over payments of and accounting for a variety of allowances, including mission subsistence allowances, clothing allowances and welfare, in order to prevent recurrence of situations where additional requirements relating to claims submitted by military personnel for payments of allowances in respect of prior periods are included in performance reports (UNPF – see A/51/872, para. 10), or where it is necessary to seek recovery of overpayment of mission subsistence allowances to international staff (UNIKOM – see A/51/683/Add.1, paras. 9-11).

18. During its consideration of a number of peacekeeping reports, the Advisory Committee observed several shortcomings with respect to inventory control and management of assets. In some of the long-standing operations, such as UNFICYP, the Advisory Committee noted that efforts had been made to reduce the weaknesses, while in other operations such as UNDOF, UNIFIL, UNMIH, UNPF, these shortcomings had, for various reasons continued.

19. In this connection, the Advisory Committee recalls that it had previously commented on the subject in its report of 22 October 1996 (A/51/533, para. 57) stating that inventory management remained a serious problem not only in peacekeeping operations but throughout the Organization. In the same report, the Advisory Committee recalled that in his report of 20 May 1996 on the management of peacekeeping assets (A/50/965), the Secretary-General had stated that the Secretariat was developing an assets management system that was intended to balance the requirements of preparedness with cost-effectiveness and of flexibility with full accountability. The Advisory Committee had requested that steps be taken to speed up the establishment of such a system and that its observations and recommendations as reflected in its report of 26 June 1996 (A/50/985), especially those relating to the United Nations Common Coding System and the North Atlantic Treaty Organization (NATO) Codification System, be fully taken into account.

20. As indicated in paragraph 20 of its report of 14 April 1997 on the financing of the Combined Forces in the former Yugoslavia (A/51/872), the Advisory Committee was provided, upon request, with information on actions taken in respect of the observations and recommendations of the Board of Auditors contained in its report on United Nations peacekeeping operations.[1] Such actions can bring about quite

significant results: for example, as a result of steps taken to decal United Nations-owned equipment and include it on the UNPF inventory of non-expendable equipment, the UNPF inventory increased by $63 million. The Advisory Committee recommended that efforts to improve inventory control and assets management in the operations in the former Yugoslavia be further intensified and that the Secretary-General reflect in his next reports steps taken to address problems identified by the Board of Auditors in its report[2] in the area of inventory control, including the designation of qualified staff and the establishment of appropriate databases.

21. The Advisory Committee points out that in some operations the administration has been successfully working on improving inventory control and management. For example, as indicated in paragraph 12 of its report of 3 April 1997 on the financing of UNFICYP (A/51/851), a complete physical inventory was undertaken in all sectors and at United Nations Protected Area headquarters in 1996 to ensure improved inventory control management. Computerization of the inventory that had been introduced in the mission provided a management tool for the regular and systematic updating of inventory, including deletion of property that had exceeded its serviceable life. Detailed instructions had been issued to an officer of the UNFICYP Property Control and Inventory Unit for a scheduled inventory check in 1997 to be carried out at all the locations mentioned above. The officer had been instructed to visit sectors during in/out surveys and hand/takeover at troop rotations. The Advisory Committee welcomes such efforts of the administration.

22. The Advisory Committee is concerned about the increase in requirements for vehicle insurance, which quite often are not clearly explained in the reports on the financing of peacekeeping operations. The Committee was informed that the increase was due mostly to the number of accidents. The Committee notes that in some operations a training programme is under way as part of efforts to reduce vehicle accidents. The Committee welcomes those efforts as a step in the right direction, but recommends that further effective managerial and operational measures be taken to reduce vehicle accidents in peacekeeping operations.

23. The Advisory Committee points out that greater effort needs to be made by the Secretariat in actively defending the interests of the United Nations vis-à-vis authorities in the areas of United Nations peacekeeping operations and missions. The United Nations should vigorously seek to ensure that all provisions of status-of-forces agreements are respected and implemented by all sides parties to such agreements. The Advisory Committee recalls, for example, that the General Assembly, in paragraphs 9 and 10 of its resolution 51/12 of 4 November 1996 on the financing of the United Nations Combined Forces in the former Yugoslavia, expressed concern about the non-observance by the Governments of the provisions of the status-of-forces agreements, requested that the Governments reimburse the combined Forces for expenditures relating to the non-observance of the status-of-forces agreements and that the Secretary-General withhold settlements of claims submitted by the Governments concerned until the matter of the expenditures was resolved. The Committee points out that no progress has been reported by the Secretary-General on the issue. In this connection, the Advisory Committee invites the Secretary-General to propose for consideration by the General Assembly such necessary measures as would ensure full compliance with the status-of-forces agreements.

Notes

[1] *Official Records of the General Assembly, Fifty-first Session, Supplement No. 5* (A/51/5), vol. II, chap. II.

[2] Ibid., para. 182.

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HUMAN RESOURCES MANAGEMENT

Letter dated 3 May 1997 from the Secretary-General addressed to the President of the General Assembly

I have the honour to refer to General Assembly resolution 51/226 of 3 April 1997. The resolution deals in great detail with a broad range of human resources management issues considered by the Assembly at its fifty-first session. This degree of detail is, I understand, a reflection of the Assembly's determination to ensure compliance with its stated wishes in specific areas.

My intention is to assure you and, through your good offices, the Member States of my full commitment to implement this resolution, in accordance with the spirit and the intent of the General Assembly.

This applies, in particular, to the cessation of irregular, or so-called "back door", recruitment practices and assurance of broader and fairer competition for all United Nations employment opportunities. To respond to the Assembly's wish set out in section III.B, paragraph 26, I have instructed that immediate action be taken. Current appointments going beyond 31 July will be allowed to lapse, as indicated in the letter of appointment. In order to prevent disruption to programmes and undue hardship to the affected individuals, appointments expiring before 31 July 1997 will be extended only until that date.

However, it is my duty to bring to your attention that I have been advised that there are other considerations relative to the application of this provision to staff members holding appointments of less than one year against support account posts. This is because, prior to the adoption of resolution 50/221 B of 7 June 1996, it was not possible to hire staff against the support account for more than six months. Funding was approved only for that period, and normal recruitment processes leading to appointments of one year or more could not be used. Thus, at the time of their recruitment, support account staff outside the normal machinery were, in fact, employed under "regular" procedures pertaining to their conditions of service. Similar considerations apply to international tribunals, where staff have had to be recruited before

the mechanisms required to grant appointments for one year or longer had been established.

Measures are in train to apply established, competitive recruitment procedures for support account posts of one-year duration. The application of paragraph 26 to support account staff recruited before 3 April 1997 would thus treat these staff unfairly retroactively as though they had been improperly recruited. The same conditions apply to international tribunals, where staff had to be recruited before the mechanisms required to grant appointments for one year or longer had been established.

To achieve the understood objective of the General Assembly to close "back door" recruitment and avoid exposing the Organization to successful challenges in the Administrative Tribunal, it would therefore seem necessary to ensure that these provisions are not applied retroactively to "regularly" recruited staff currently holding short-term appointments. Under these circumstances and to prevent the resultant negative impact on support to crucial field missions, I consider it in the best interests of the Organization to apply the provisions of paragraph 26 to support account and international tribunal staff recruited after 3 April 1997, the date of adoption of resolution 51/226.

Constructive trust, dialogue and transparency are crucial elements in advancing reform and the management of change within the United Nations. In bringing these matters to your attention, my hope is to reassure the General Assembly of my unswerving commitment to encourage such an atmosphere between the Secretariat and the Member States.

In closing, may I again confirm that resolution 51/226 will be implemented and the concerns of Member States addressed. As I will be away from Headquarters at the time of the opening of the second part of the resumed session, I have taken the liberty of sharing my thoughts with you, in the hope that the contents of the present letter can be shared with Member States.

(Signed) Kofi A. ANNAN

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GENERAL ASSEMBLY
Fifty-first session
Agenda item 81
REVIEW OF THE IMPLEMENTATION OF THE
DECLARATION ON THE STRENGTHENING
OF INTERNATIONAL SECURITY

SECURITY COUNCIL
Fifty-second year

Letter dated 9 May 1997 from the Permanent Representative of Gabon to the United Nations addressed to the Secretary-General

I have the honour to attach the Libreville Declaration on the situation in Zaire (see annex).

I should be grateful if you would have it circulated as a document of the General Assembly, under agenda item 81, and of the Security Council.

(Signed) Denis DANGUE RÉWAKA
Ambassador
Permanent Representative

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ANNEX

Libreville Declaration

At the request of His Excellency Marshal Mobutu Sese Seko, President of t Republic of Zaire, and at the invitation of His Excellency El Hadj Omar Bongo, President of the Gabonese Republic, an extraordinary summit meeting of the Central African Heads of State was held on 8 May 1997 in Libreville.

The following dignitaries took part in this summit meeting:

- Mr. Mobutu Sese Seko, President of the Republic of Zaire;
- El Hadj Omar Bongo, President of the Gabonese Republic;
- Mr. Obiang Nguema Mbasogo, President of the Republic of Equatorial Guinea;
- Mr. Idriss Deby, President of the Republic of Chad;
- Mr. Pascal Lissouba, President of the Republic of the Congo;
- Mr. Ange-Félix Patassé, President of the Central African Republic;
- Mr. Ferdinand Léopold Oyono, Minister for Foreign Affairs, representing President Paul Biya of the Republic of Cameroon, curren Chairman of the Organization of African Unity (OAU).

The Central African Heads of State considered developments in the crisis Zaire in the light of the conclusions of the meeting held on 4 May 1997 in Pointe Noire between President Mobutu and Mr. Laurent Désiré Kabila, under the auspices of Mr. Nelson Mandela, President of the Republic of South Africa, and Mr. Mohammed Sahnoun, the joint United Nations/Organization of African Unity Special Representative for the Great Lakes region.

President Mobutu presented the Central African Heads of State with an exhaustive historical account of the crisis in Zaire.

Following a thorough exchange of views, the Heads of State reaffirm their firm attachment to a negotiated political solution to the conflict and reject all recourse to violence as a means of settling disputes, and they recall the principles of OAU, in particular resolution 16 of July 1964, adopted in Cairo, on the territorial integrity of States and the inviolability of the borders inherited from the colonial period.

Consequently, the Heads of State reaffirm their adherence to the peace pl of the United Nations and OAU as set forth in United Nations Security Council resolution 1097 (1997) of 18 February 1997.

The Heads of State urgently call on the two parties to respect the commitments freely entered into under the terms of the final communiqué of the

extraordinary summit meeting of OAU held in Lomé on 27 March 1997 and the Pretoria communiqué of 8 April 1997.

The Central African Heads of State have taken note of President Mobutu Sese Seko's important statement that, for health reasons, he would not stand for re-election, thus opening up new prospects for a negotiated political settlement of the dispute. They take this opportunity to reaffirm their attachment to the democratic process of institution-building.

The Heads of State urgently call on the Zairian political forces, under the direction of the High Council of the Republic-Transitional Parliament, to proceed to the election of their President so as to allow for the normal functioning of institutions and to promote an orderly and democratic transition in accordance with the Constitutional Act of Transition.

In the light of the Zairian crisis, and in order to strengthen security, peace and stability in Central Africa, the Heads of State have decided to establish a structure for consensus-building and crisis management in Central Africa, the organization of which shall be decided by the Heads of State.

The Heads of State have also decided to undertake missions of mediation and peace to the Heads of State of the countries concerned with the conflict in Zaire.

Lastly, the Heads of State make a strong appeal to the parties to the dispute to cease hostilities immediately in order to create the conditions for a negotiated political settlement of the crisis in Zaire.

Done at Libreville on 8 May 1997.

(Signed) MOBUTU SESE SEKO

(Signed) Omar BONGO

(Signed) OBIANG NGUEMA MBASOGO

(Signed) Idriss DEBY

(Signed) Pascal LISSOUBA

(Signed) Ange Félix PATASSE

(Signed) Ferdinand Léopold OYONO

UNITED NATIONS **A S**

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GENERAL ASSEMBLY
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QUESTION OF CYPRUS

SECURITY COUNCIL
Fifty-second year

Letter dated 9 May 1997 from the Permanent Representative of Cyprus to the United Nations addressed to the Secretary-General

Upon instructions from my Government, I have the honour to bring to your attention new provocative actions to be carried out by the illegal regime in the areas of the Republic of Cyprus occupied by Turkey.

In information made public, the illegal secessionist entity set up in the occupied areas of Cyprus has announced its intention to put up for sale properties, namely, two hotels, "The Dome" in Kyrenia and "The Salamis Bay" in Famagusta, which were illegally usurped from their rightful owners following the Turkish invasion and occupation of a large part of Cyprus in 1974. According to this information, the aforementioned actions are to be taken as first steps in a so-called "privatization programme".

Such properties belong to their legal owners who were forcibly uprooted from their ancestral homes and properties by the Turkish invading and occupying forces.

With regard to the ownership of property, I should also like to refer to the binding decision of the European Court of Human Rights in the case of Loizidou versus Turkey, which concluded in its judgement of 18 December 1996 that the applicant remained legal owner of her property in the occupied area and that Turkey was in violation of the European Human Rights Convention by preventing her from returning to and enjoying her property in Kyrenia.

These actions by Turkey, which are aimed at consolidating the fait accompli created through the use of military force, are in violation of the principles and norms of international law and the Charter of the United Nations, as well as relevant United Nations resolutions on Cyprus.

Moreover, these Turkish actions take place at a most sensitive phase of the Cyprus problem, at the very time when you are exerting determined efforts to bring about a just and lasting solution.

On behalf of the Government of the Republic of Cyprus, I strongly protest these illegal Turkish actions and request the immediate intervention of the United Nations to prevent them from taking place.

I should be grateful if you would have the present letter circulated as a document of the fifty-first session of the General Assembly, under agenda item 58, and of the Security Council.

(Signed) Nicos AGATHOCLEOUS
Ambassador
Permanent Representative

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APPOINTMENT TO FILL VACANCIES IN SUBSIDIARY ORGANS AND OTHER APPOINTMENTS: CONFIRMATION OF THE APPOINTMENT OF THE ADMINISTRATOR OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

Note by the Secretary-General

1. In paragraph 22 of its resolution 1240 (XIII) B of 14 October 1958 on the establishment of the Special Fund, the General Assembly provided that the Secretary-General, after having consulted the Governing Council of the Special Fund, would appoint the Managing Director, subject to confirmation by the Assembly. This procedure has been construed as applying also to the appointment of the Administrator of the United Nations Development Programme.

2. By its decision 47/327 of 15 June 1993, the General Assembly confirmed the appointment by the Secretary-General of Mr. James Gustave Speth as Administrator of the United Nations Development Programme for a four-year term of office beginning on 16 July 1993.

3. Following consultations with members of the Executive Board of the United Nations Development Programme, the Secretary-General now requests the General Assembly to confirm the appointment of Mr. James Gustave Speth as Administrator of the United Nations Development Programme for a further four-year term of office beginning on 16 July 1997.

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Review of the efficiency of the administrative and financial functioning of the United Nations

Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Note by the Secretary-General

1. Pursuant to General Assembly resolution 48/218 B of 29 July 1994, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report, conveyed to him by the Under-Secretary-General for Internal Oversight Services, on the audit of the United Nations Postal Administration.

2. The Secretary-General concurs with the recommendations contained in the report.

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Annex

Report of the Office of Internal Oversight Services on the audit of the United Nations Postal Administration

Summary

The United Nations Postal Administration (UNPA) was established by the General Assembly in 1950 to publicize the work and achievements of the United Nations and its specialized agencies, while generating revenue through the sale of specially designed stamps (philatelic) and contributing the resulting profit to the United Nations.

Since its inception, UNPA has been disseminating information on the work and achievements of the United Nations and its specialized agencies. In addition, it has been its major contributor of commercial revenue.

However, UNPA's revenue has declined in recent years and UNPA was not able to meet its financial targets of projected revenue or its expected net profit. As a result, in the biennium 1994-1995, UNPA suffered a loss of US$ 2.2 million, depleting almost completely its reserve fund.

The United Nations provides certain services and facilities free of charge to UNPA. If the costs of these services were to be charged to UNPA, its financial situation would have been even less favourable.

We are pleased to note that in 1996, UNPA's financial situation has significantly improved. However, factors which contributed to the 1994-1995 financial situation, including a declining philatelic market, high personnel cost and ineffective marketing strategies, continue to exist. We are concerned that these factors represent a threat to the long-term business success of UNPA.

We also noted internal control weaknesses in UNPA's operations in the areas of procurement, financial reporting, stamp shows, customer accounts and inventory control.

Key recommendations. To ensure the long-term business success of UNPA, the Office recommends that:

- An independent evaluation should be undertaken of current and alternative modes of fulfilling UNPA's mandate, to determine which is the most economical and efficient. Alternative modes of delivery should include arrangements for the outsourcing of UNPA operations, particularly the distribution function. Such evaluation must take into consideration the "full cost" of operating UNPA, including the cost of services and facilities currently provided to UNPA by the United Nations free of charge;

- Pending the results of the above evaluation and to improve accountability and ensure that strategic decisions of senior management are based on complete and accurate information, UNPA's financial statements should reflect the "full cost" of its operations, including the cost of services currently provided free of charge by the United Nations;

- Appropriate actions should be taken to generally improve UNPA's internal control systems.

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I. Introduction

1. The General Assembly, by its resolution 454 (V) of 16 November 1950, established the United Nations Postal Administration (UNPA). The central authority and the overall direction and supervision over UNPA is performed by the Commercial Activities Service, Office of Conference and Support Services, Department of Administration and Management.

2. UNPA's Global Office in New York is responsible for the overall production, policy and financial direction of the New York and European operations. The European Office in Vienna, established by UNPA during the biennium 1994-1995, is responsible for coordinating the work of the local offices in Geneva and Vienna.

3. UNPA's primary objectives are to publicize the work and achievements of the United Nations and its specialized agencies, while generating revenue through the sale of specially designed stamps (philatelic) and contributing the resulting profit to the United Nations. The medium-term plan for the period 1992-1997 and the proposed programme budgets for the bienniums 1992-1993 and 1994-1995 called for the expansion of UNPA's activities and for an increase in its sales.

4. The Office of Internal Oversight Services conducted an audit of UNPA during the period from April 1995 to January 1996. The audit covered the operations of UNPA for the bienniums 1992-1993 and 1994-1995, focusing on the operation in New York and the Global Office.

5. The primary objective of the audit was to assess the adequacy of internal controls exercised over UNPA's operation and their effectiveness in ensuring the achievement of its financial targets.

II. Major findings and recommendations

A. Achievement of financial targets

6. Since its inception in 1950, UNPA has been disseminating information on the work and achievements of the United Nations and its specialized agencies. In addition, it has been the major contributor of commercial revenue to the United Nations. However, UNPA's revenue has declined in recent years. It could not meet its financial targets of projected revenue or its expected net profit for the bienniums 1992-1993 and 1994-1995. As a result, in the biennium 1994-1995 UNPA, for the first time, suffered a loss amounting to US$ 2.2 million.

7. As expressed in the medium-term plan for the period 1992-1997, UNPA proposed developing themes and designs for United Nations stamps and various philatelic items which would be popular and generate as much revenue as had earlier issues. It also had planned to increase its emphasis on marketing, with the development of a global strategy to tap additional markets and increase its sales.

8. For the biennium 1994-1995, UNPA tried to increase its revenue through the introduction of new stamp themes. It anticipated that the issuance of commemorative stamps celebrating the fiftieth anniversary of the United Nations would increase revenue during the biennium. However, the Postal Administration's gross sales during 1994-1995 reached only $27.2 million, thus failing to surpass the sales of the previous biennium of $33.2 million, and did not meet its gross sales target of $36.3 million. For that matter, for the earlier biennium, UNPA had also failed to achieve its projected gross sales targets of $35.6 million and projected profit of $6.8 million.

9. Between the bienniums 1990-1991 and 1992-1993, UNPA's profit had already showed a decline, with a further sharp decrease in the 1994-1995 biennium, resulting in a loss of $2.2 million. The comparison between actual financial performance and targets is shown in table 1.

10. As a result, 94 per cent of UNPA's reserve fund had been depleted. Total expenses of UNPA as shown in table 1 do not include all costs incurred for its activities since the costs of office space, computer use, utilities, general building services, and United Nations senior management time are not charged to UNPA by the United Nations. If these costs were charged to UNPA, the net result would be still less favourable.

11. However, we are pleased to note that in 1996 UNPA's financial situation had significantly improved. Although the preliminary financial results for the year 1996 showed a further 12 per cent decline in sales over 1995, the Postal Administration was able to achieve an overall 29 per cent reduction in expenses and therefore realized a profit of $1.5 million in 1996. Although approximately $0.4 million of the expense reduction was attributable to the transfer of the cost of several posts out of UNPA's budget to the Commercial Activities Service, we believe that the overall expense reduction at UNPA in 1996 was significant.

12. We analysed the major factors which contributed to the 1994-1995 financial situation. There was a general downturn in the market which resulted in a continuously

Table 1. Actual financial performance and targets
(Millions of United States dollars)

	1994-1995		1992-1993	
	Actual	*Target*	*Actual*	*Target*
Gross stamps sales	27.2	36.3	33.2	35.6
Less:				
Payment to post offices and miscellaneous cost	4.7	4.3	5.1	4.1
Net revenue	22.5	32.0	28.1	31.5
Total expenses	-24.7	-26.9	-24.0	-24.7
Net results	-2.2	5.1	4.1	6.8

Table 2. Staff costs and net revenue
(Millions of United States dollars)

	1986-1987	1988-1989	1990-1991	1992-1993	1994-1995
Net revenue	25.0	26.2	27.2	28.1	22.5
Staff costs	10.9	12.3	15.6	16.2	17.6
Ratio (%)	44	47	57	58	78

declining sale of stamps. The old philatelic customers' population decreased, and the marketing strategies employed by UNPA could not overcome the declining demand.

13. In addition to the above factors, the decline in UNPA's revenue was accompanied by an increase in its expenses. A major factor for this increase was UNPA's staff costs. Internal analysis by UNPA of its staff costs showed that the ratio of staff costs to net revenue had increased from 44 per cent in 1986-1987 to 78 per cent in 1994-1995, as shown in table 2.

14. We are concerned that most of the above factors continue to exist and represent a threat to the long-term business success of UNPA. There is a need for an evaluation of more economical and efficient alternative modes of fulfilling UNPA's mandate. Outsourcing some of its operations, in particular of the stamp distribution function, could be a valuable alternative. UNPA's management had already analysed the potential for outsourcing its operations except for the functions performed by the Global and European offices. The Office of Internal Oversight Services encourages UNPA's management to further pursue the outsourcing alternative.

15. A serious evaluation of outsourcing must take into consideration the cost of all services currently provided by the United Nations to UNPA free of charge. The "full costing" of UNPA's operations would improve accountability and ensure that senior management decisions are based upon complete and accurate information. Senior management indicated that, while it will endeavour to comply with these requirements, the Office of Internal Oversight Services is introducing for the first time a "full cost" concept, which represents a significant departure from the "extra costs" concept which is currently applied. The "full cost" concept will have wide-ranging impact, not only on income-producing activities, but also on those activities financed under the regular budget of the Organization.

16. Budgeting controls over UNPA's operations should be strengthened and its financial targets should be realistic and attainable. In the face of declining revenue, control and reduction of UNPA expenses should continue to be a top priority. External marketing expertise could be engaged to assist UNPA's management in formulating appropriate marketing strategies.

The Office recommends that:

- UNPA should undertake an independent evaluation of current and alternative modes of fulfilling its mandate to determine which is the most economical and efficient. Alternative modes of delivery should include arrangements for the outsourcing of UNPA's operations, particularly the distribution function. Such evaluation must take into consideration the full cost of operating UNPA, including the cost of services currently provided by the United Nations free of charge (recommendation AH97/293/1/001);
- Pending the results of the above evaluation, UNPA should reflect in its financial statements the "full cost" of its operation, including the cost of services and facilities currently provided by the United Nations free of charge (recommendation AH97/293/1/002).

B. Procurement of computer system

17. In 1994, through a bidding process, UNPA entered into a contract with a consulting firm in the amount of $473,000 to develop an integrated Postal Administration computer system. UNPA procured the new system in order to streamline its operation, including the handling of the customer orders, and to reduce costs.

1. Lack of project feasibility study

18. UNPA did not conduct a feasibility study prior to its decision to purchase the new system. According to UNPA, as stated in the proposed programme budget for 1992-1993, the deficiencies noted in the old system were so numerous that it would be cost-effective to purchase a new system. Although the decision to purchase a new system was made after consultation with other units in the United Nations, no detailed study was conducted analysing the costs and benefits involved in enhancing the old system and in procuring a new one.

2. The bidding process

19. During the bidding process, none of the proposals received from the competing vendors fell within UNPA's project budget of $412,000, a condition which, according to the Financial Rules of the United Nations, would have called for a rejection of all bids. The project committee that reviewed the proposals did not seek the advice of the Office of Legal Affairs but instead applied a legal opinion given in another comparable case which would allow a direct negotiation with the selected vendor.

20. In our view, a new bidding process should have been carried out prior to the award of the contract because the bid proposals submitted by the vendors exceeded the budgeted cost.

3. Cost overruns

21. The project cost was originally budgeted at $412,000 at the time of the issuance of the Request for Proposal. At the time of our audit, the actual cost amounted to $821,000, including the cost of contract amendments submitted to the Headquarters Committee on Contracts for approval. UNPA did not sufficiently explain these significant cost overruns nor were these overruns mentioned in the 1996-1997 proposed programme budget.

4. New system implementation

22. In November 1995, UNPA shut down the old computer system completely, although the new one was not yet fully operational and could not perform all its intended functions. Owing to the timing of its implementation, UNPA's financial reporting was adversely affected. When the old system was shut down, not all the users were trained to operate the new system. There was no proper reconciliation of accounts prior to implementation. The new system documentation needed further improvement in its contents and quality. It lacked details of user controls and operating instructions for all the system features.

23. Good practice requires that the new and old systems should be run parallel until a reasonable period has passed without serious problems being encountered, or alternatively, that sufficient testing be performed and the processing results reviewed to ensure proper functioning of the new system before its full implementation.

24. UNPA indicated that the new system had been in operation for months at UNPA offices in Vienna and Geneva and that the problems which occurred when the new system was implemented in New York had not been anticipated.

25. During 1996, UNPA was in the process of testing the new system to make the necessary modifications and improve the system's documentation.

5. Users' needs not fully met

26. While the system apparently met the requirements of the European offices, it did not fully meet those of the New York office, thus causing difficulties to UNPA after its implementation. The New York office was unable to process

sales transactions for one and a half months prior to the 1995 year-end date. However, UNPA stated its belief in the reliability of the accounting information generated by the new system.

27. Our review of the system features and its various functions further indicated that reports, needed by management as monitoring tools, were not yet generated by the system. In our view, the new system needs to be modified and additional funds are necessary to fully meet the requirements of UNPA's New York office.

28. Only when the new system is able to perform its intended functions and fully meet UNPA's objectives can the considerable resources already spent be justified.

The Office recommends that:

- UNPA should ensure, in the future, proper planning of significant projects, including a feasibility study and a cost-benefit analysis; a formal statement of user requirements should be established and users should be involved in all critical stages of the project development (recommendation AH97/293/1/003);
- UNPA should ensure that all users are adequately trained on relevant functions of the new system; documentation of the system should be further improved; and enhancement should be carried out continuously in order to fully meet UNPA's business needs; in future projects, UNPA should ensure adequate testing prior to implementation (recommendation AH97/293/1/004).

C. Timeliness of financial reporting

29. In 1994, UNPA had regularly submitted monthly financial statements to the United Nations Accounts Division. In 1995, only quarterly statements were submitted two to three months after the end of each quarter. UNPA's quarterly financial statements for the period ending 31 October 1995 were submitted only in February 1996.

30. Without the timely submission of periodic financial statements, senior management of the United Nations is not in a position to monitor UNPA's operations properly and closely. However, UNPA's management indicated that, effective April 1996, monthly financial statements were produced on a timely basis.

The Office recommends that:

- UNPA should always ensure timely submission of its monthly financial statements to the United Nations Accounts Division (recommendation AH97/293/1/005).

D. Attendance at stamp shows

31. According to the UNPA Manual, a yearly programme of stamp shows is to be set up in advance to ensure that attendance by staff is properly justified. The Manual also requires an analysis of sales from past attendance and, in case of new shows, an assessment as to whether attendance would generate income.

32. There is a need for improvement in the planning for UNPA's staff attendance at stamp shows. Budgets were not prepared for new shows to reflect the strategic marketing objectives and the anticipated net revenue to be generated.

33. UNPA's gross revenue from stamp shows during the three-year period from 1992 to 1994 averaged $363,000 per year. During the same period, attendance at stamp shows resulted in average travel costs of $92,000 per year. While during the biennium 1992-1993 travel costs amounted to 23 per cent of gross revenue of stamp shows, in 1994 travel costs absorbed more than 30 per cent. We did not include in this calculation the salary cost of staff members who attended these shows.

34. The number and type of experience of UNPA's staff attending these shows should be carefully assessed in relation to the expected strategic marketing objectives of attending such shows.

The Office recommends that:

- UNPA should carefully assess the costs of staff attending stamp shows and balance them against its strategic marketing objectives (recommendation AH97/293/1/006).

E. Customer accounts and sales

35. Customer accounts represent money owed to UNPA by its customers and dealers resulting from the sale of stamps. Monitoring these accounts and their speedy collection is essential for the liquidity and profitability of the business.

1. Monitoring customer accounts

36. At the time of audit, UNPA's New York office had several accounts receivable from overseas direct sales and consignment agencies.

37. UNPA systems did not produce reports which would have been useful in monitoring the status of its outstanding accounts receivable, such as those covering days' sales outstanding, ageing reports of outstanding balances, listing of accounts in dispute or provision for doubtful accounts. In the absence of such reports, management might not be fully aware of the status of these accounts. Long-outstanding accounts receivable should be closely monitored to expedite their collection and to determine the amount of a provision for doubtful accounts or, where appropriate, the amounts to be written off. We could not find evidence that all old outstanding accounts had been examined or followed up.

38. We found that several accounts receivable were more than two years old with no provision for allowance for doubtful accounts or write-off, a practice which is contrary to the United Nations rules. The last write-off of uncollectible accounts was done in 1990. Inadequate valuation of accounts receivable affects the reliability of UNPA's financial statements.

39. Management stated that collection of long-outstanding accounts receivable was being monitored and examined and that the preparation and documentation of the write-off of old delinquent accounts had been ongoing, but did not provide details of how this was accomplished.

The Office recommends that:

- UNPA should use its new computer system to produce the reports and lists required to ensure that old outstanding accounts receivable are regularly analysed and followed up, and appropriate provision for doubtful accounts or write-off should be submitted to the Controller (recommendation AH97/293/1/007).

2. Inadequate sales reports

40. Sales generated from customer subscriptions constitute a major source of the revenue of the New York office. Therefore, ongoing analysis of this type of revenue is one of the tools that should be made available for management to evaluate the effectiveness of its marketing strategies and promotion programmes.

41. We noted delays in the preparation of sales reports showing the sales orders received and total accumulated sales for each month. The November 1995 report was only prepared in January 1996 and was incomplete. At the time of our audit, sales reports for the month of December 1995 had not been produced.

The Office recommends that:

- UNPA's systems should periodically produce adequate sales reports. Such reports should show by customer type and market location the monthly and year-to-date actual and forecasted sales, as well as a comparison with the preceding year. These reports would allow management to verify whether actual sales meet business expectations (recommendation AH97/293/1/008).

F. Stamp inventory control

1. Access to stockroom

42. The Operational Stockroom of UNPA is currently occupied by four custodial staff. During office hours, the order-filling staff had access to the Operational Stockroom and were obtaining stamps directly from the open shelves. There was no routine to document their requests prior to stamp issuance; therefore, accountability could not be formally established.

43. Management stated that the order-filling staff entered the Operational Stockroom mainly to exchange damaged stamps.

44. In our view, stamps are readily convertible to cash; therefore, an adequate system for their safe keeping is essential to avoid the risk of loss.

45. Access to the Operational Stockroom should be restricted to custodial staff. Order-filling clerks should not be allowed to exchange damaged stamps by themselves. Such routine should be properly formalized through a formal request to the custodial staff.

The Office recommends that:

- UNPA should ensure that access to the Operational Stockroom is limited to custodial staff (recommendation AH97/293/1/009).

2. Inventory valuation

46. The value of stamps which are no longer available for sale does not represent an asset to the business and should therefore be removed from the inventory account. It is UNPA's practice, however, to keep all stock items in the inventory account even though some of them are no longer available for sale. For example, commemorative stamps which had already been cancelled and withdrawn from sale were still part of the inventory accounts, thereby, affecting the accuracy of such accounts.

47. Our review showed that there was no separate report produced by UNPA listing slow-moving inventory items and those already removed from sale.

48. In addition, we noted that inventory movements were not immediately recorded in the stock-books. Timeliness of recording of all stock movements in the stock-books would strengthen controls over inventory and ensure the reliability of the accounting records.

The Office recommends that:

- UNPA should identify the value of all stamps included in the inventory accounts which are no longer available for sale and reduce the inventory account accordingly (recommendation AH97/293/1/010).

(Signed) Karl Th. **Paschke**
Under-Secretary-General
for Internal Oversight Services

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Security Council

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S/1997/368
13 May 1997
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GENERAL ASSEMBLY
Fifty-first session
Agenda item 33
THE SITUATION IN THE MIDDLE EAST

SECURITY COUNCIL
Fifty-second year

Letter dated 9 May 1997 from the Permanent Representative of Lebanon to the United Nations addressed to the Secretary-General

On instructions from my Government and further to our earlier letters concerning Israel's attacks on southern Lebanon and the Western Bekaa and the arbitrary practices against the civilian inhabitants in which it engages on a daily basis, I have the honour to notify you of the series of such incidents that took place during April 1997.

1 April 1997

At 0930 hours Israeli warplanes overflew the Iqlim al-Tuffah area at low altitude.

At 1530 hours outlying areas of Nabatiyah al-Fawqa and Kafr Tibnit and the vicinity of the abandoned Lebanese Army barracks in Nabatiyah al-Fawqa came under multi-calibre machine-gun fire from Israeli warplanes and helicopters. The outskirts of Kafr Tibnit also came under Israeli artillery fire, and one person, Muhammad Jawdat Faqih, was wounded.

At 1500 hours a Lahad militia group arrested Husayn Muhammad Shihadah from Ghanduriyah.

At 1600 hours Maryam Ali al-Bustani, a 10-year-old girl, suffered miscellaneous injuries when an explosive device was detonated.

2 April 1997

At 1325 hours Israeli warplanes overflew the Tyre area at medium altitude, breaking the sound barrier.

At 1330 hours Israeli warplanes overflew the Damur area at low altitude.

3 April 1997

At 0830 hours Ayta al-Jabal, in Bint Jubayl district, came under artillery fire and serious damage was caused to property.

4 April 1997

At 1830 hours outlying areas of Kafr Tibnit and the vicinity of the abandoned Lebanese Army barracks in Nabatiyah al-Fawqa came under sniper fire from Israeli positions in the border strip.

5 April 1997

Israeli combat helicopters overflew the Libbaya vicinity and the hills to the east.

8 April 1997

At 1115 hours Israeli warplanes overflew the Nabatiyah area.

12 April 1997

Outlying areas of Ayn Bu Siwar, Jarju' and Arabsalim and areas along the Nab' al-Tasah came under artillery fire.

13 April 1997

At 1230 hours a landmine exploded in an outlying area of Aramta, in Jazzin district, wounding two persons from the town.

At 1430 hours outlying areas of Majdal Zun, in Tyre district, came under Israeli artillery fire.

At 1600 hours Israeli combat helicopters overflew Frun and Ghanduriyah and areas along the Litani river, strafing the wadis around the towns with machine-gun fire.

15 April 1997

At 0400 hours outlying areas of Frun, Ghanduriyah, Burj Qallawiyah and Qallawiyah came under Israeli artillery fire. It ceased at 0900 hours. Two people were killed and three were injured.

16 April 1997

At 2200 hours outlying areas of Luwayzah and Jarju' came under fire from medium machine-guns located in Israeli positions in the border strip.

17 April 1997

At 0100 hours outlying areas of Jba', Ayn Bu Siwar and Arabsalim and the Mlita hills and Jabal Safi came under Israeli artillery fire.

At 0200 hours outlying areas of Kafr Milki, in Tyre district, came under Israeli artillery fire.

At 1145 hours outlying areas of Arabsalim, Jarju', Ayn Bu Siwar and Jba' and the Mlita hills and Jabal Safi came under Israeli artillery fire. It ceased at around 1500 hours.

18 April 1997

At 1115 hours Israeli warplanes overflew the Nabatiyah and Iqlim al-Tuffah areas at high altitude, breaking the sound barrier on two occasions.

At 1230 hours the hills to the south of Mashgharah and Ayn al-Tinah and the Jabal Abi Rashid highlands came under intermittent Israeli artillery fire. It ceased at 1450 hours.

19 April 1997

At 1055 hours Israeli warplanes overflew Sidon and the nearby camps at high altitude.

At 1120 hours Israeli warplanes overflew the Nabatiyah and Iqlim al-Tuffah areas at low altitude.

20 April 1997

At 1100 hours a landmine exploded at Bkasin, in Jazzin district, killing one person. He was taken to Jazzin government hospital.

At 1115 hours Israeli warplanes overflew the Mashgharah, Ayn al-Tinah and Maydun areas and were met with ground-based anti-aircraft fire. The overflights ceased at 1915 hours.

At 1630 hours Israeli warplanes attacked outlying areas of Jazzin in the Azibah al-Fawqa area.

21 April 1997

At 0800 hours outlying areas of Ayn Bu Siwar and Arabsalim and the Mlita and Jabal Safi hills came under Israeli artillery fire. At the same time, warplanes overflew the Iqlim al-Tuffah area.

22 April 1997

At 1030 hours a landmine exploded on the Anan-Qtali road, causing some damage.

At 1130 hours outlying areas of Ayta al-Jabal, Tibnin, Bra'shit and Safad al-Battikh came under Israeli artillery fire.

24 April 1997

At 1100 hours outlying areas of Majdal Silm, Qabrikha, Tulin, Kafra, Yatar and Haddatha came under Israeli artillery fire.

At 1430 hours Israeli combat helicopters strafed outlying areas of Nabatiyah al-Fawqa and the vicinity of the Kafr Tibnit crossing. Two persons were wounded at the crossing.

At 2000 hours outlying areas of Shaqra, Bra'shit, Majdal Silm, Tulin, Qabrikha and Sawwanah came under Israeli artillery fire.

25 April 1997

At 0600 hours outlying areas of Yatar, Kafra, Haris, Ayta al-Jabal, Haddatha, Bra'shit, Shaqra, Majdal Silm, Frun, Ghanduriyah and Sawwanah came under Israeli artillery fire.

27 April 1997

At 0700 hours a bus travelling from Qilya to Mashgharah, in Western Bekaa district, with eight schoolchildren on board came under heavy-weapons fire from the Israeli forces positioned on Ahmadiyah hill. No one was hurt.

29 April 1997

At 0630 hours the abandoned Lebanese Army barracks in Nabatiyah and the Bayad neighbourhood came under Israeli artillery fire.

At 0730 hours outlying areas of Qilya, in Western Bekaa district, came under artillery fire from the Israeli forces positioned on Ahmadiyah hill.

30 April 1997

At 1150 hours Israeli warplanes overflew the Iqlim al-Tuffah and Nabatiyah areas at low altitude, breaking the sound barrier.

At 1545 hours outlying areas of Jarju', Ayn Bu Siwar, Jba', Kafr Rumman and Arabsalim, Wadi Kafr Fila, the Mlita and Jabal Safi hills and areas along the Nab' al-Tasah came under Israeli artillery fire.

The Lebanese Government strongly condemns the continued Israeli occupation and these fresh attacks and arbitrary practices inflicted on the Lebanese population, which have left a number of casualties and have caused further serious damage to property.

Like previous attacks, this new series is in flagrant violation of the sovereignty and independence of Lebanon and constitutes a breach of the purposes and principles of the Charter of the United Nations, of international law and of basic human rights.

I should be grateful if you would have this letter circulated as a document of the General Assembly, under agenda item 33, and of the Security Council.

(Signed) Samir MOUBARAK
Ambassador
Permanent Representative

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16 May 1997

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Fifty-first session
Agenda items 8 and 94 (c)

ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK: REPORTS OF THE GENERAL COMMITTEE

MACROECONOMIC POLICY QUESTIONS: TRADE AND DEVELOPMENT

Letter dated 14 May 1997 from the Permanent Representative of Venezuela to the United Nations addressed to the President of the General Assembly

As you know, the Third United Nations Conference to Review All Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices was held in Geneva from 13 to 21 November 1995 under the chairmanship of the representative of Venezuela. The Conference adopted a resolution by which it, inter alia, recommended that the General Assembly should change the title of the Intergovernmental Group of Experts on Restrictive Business Practices to that of Intergovernmental Group of Experts on Competition Law and Policy. To this effect, the delegation of Venezuela, in March 1996, submitted to the Secretary-General a corresponding draft resolution for possible consideration by the General Assembly (see A/50/905 and A/50/L.71).

At the request of some Member States, no action was finally taken last spring on the indicated draft resolution, in order to allow time for additional consultations in Geneva on some aspects of the issue. In November 1996, we received a new communication from the President of the Trade and Development Board (annex I) indicating that consensus had been reached on language to amend the draft resolution. Unfortunately, by the time the letter arrived, it was too late to reintroduce the revised draft under the corresponding item, Trade and development, in the proceedings of the Second Committee.

In view of the foregoing, it is my honour at this time to request that the discussion of sub-item (c) of agenda item 94, Macroeconomic policy questions, be reopened during one of the forthcoming plenary meetings of the resumed fifty-first session of the Assembly, in order to consider the revised draft resolution

annexed hereto (annex II), which enjoys the consensus of the member States of the Trade and Development Board. I should also be grateful if you would kindly have the present letter and its annexes distributed beforehand, as documents of the General Assembly.

(Signed) Ramón ESCOVAR-SALOM
Ambassador
Permanent Representative

ANNEX I

Letter dated 13 November 1996 from the President of the Trade and Development Board addressed to the Deputy Permanent Representative of Venezuela

I have the honour to refer to your letter of 7 August 1996 addressed to my predecessor, H.E. Ambassador William Rossier, President of the forty-second session of the Trade and Development Board.

I thank you also for having transmitted to us a copy of the note from the Permanent Mission of Ireland to the United Nations, in Ireland's capacity as President of the European Union, by which it forwarded a proposal to amend the draft resolution submitted by Venezuela to the General Assembly on the "Follow-up action by the General Assembly on the resolution adopted on 21 November 1995 by the Third United Nations Conference to Review All Aspects of the Set of Restrictive Business Practices".

I am pleased to inform you that the intensive inter-Group consultations on this very important issue have now been completed and agreement has been reached among coordinators and delegations to propose to you the following amendments to the proposed draft resolution A/50/L.71:

1. A new fourth preambular paragraph:

Recalling in addition "A Partnership for Group and Development", adopted on 11 May 1996 by the United Nations Conference on Trade and Development at its ninth session in Midrand, South Africa.

2. An additional operative paragraph 3:

3. Requests the Trade and Development Board to provide for meetings of the Intergovernmental Group of Experts on Competition Law and Policy operating within the framework of the Commission on Investment, Technology and Related Financial Issues of the United Nations Conference on Trade and Development in accordance with paragraph 110 of "A Partnership for Growth and Development".

I wish further to inform you that the above amendments to the draft resolution were agreed subject to the need for further consultations in Geneva to consider the differing views of the regional groups on the relationship between meetings of the Intergovernmental Group of Experts on Competition Law and Policy and the Expert Meetings convened by commissions in accordance with paragraph 114 of "A Partnership for Growth and Development" (TD/377, 24 May 1996).

I am consequently in a position to request, on behalf of the membership of the Trade and Development Board, that the draft resolution, as amended above, be submitted for adoption at the current session of the General Assembly.

(Signed) Patrick SINYINZA
Ambassador
Permanent Representative of Zambia,
President of the Trade and
Development Board

ANNEX II

Draft resolution

Follow-up action by the General Assembly on the resolution adopted on 21 November 1995 by the Third United Nations Conference to Review All Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices

The General Assembly,

Recalling its resolution 35/63 of 5 December 1980, whereby it adopted the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices, including paragraph 1, section G, thereof, providing that an Intergovernmental Group of Experts on Restrictive Business Practices operating within the framework of a committee of the United Nations Conference on Trade and Development would provide the institutional machinery,

Recalling in particular paragraph 3 of that resolution, whereby it requested the Trade and Development Board, at its twenty-second session, to establish an intergovernmental group of experts on restrictive business practices, operating within the framework of a committee of the United Nations Conference on Trade and Development, to perform the functions designated in section G of the Set of Principles and Rules,

Recalling further its decision 48/442 of 21 December 1993, convening the Third United Nations Conference to Review All Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices,

Recalling in addition "A Partnership for Growth and Development", adopted on 11 May 1996 by the United Nations Conference on Trade and Development at its ninth session, held in Midrand, South Africa,[a]

1. Takes note of the resolution adopted on 21 November 1995 by the Third United Nations Conference to Review All Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices;[b]

2. Endorses the recommendation contained in paragraph 14 of that resolution to change the title of the Intergovernmental Group of Experts on Restrictive Business Practices to "Intergovernmental Group of Experts on Competition Law and Policy";

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[a] A/51/308.

[b] TD/RBP/CONF.4/14.

3. Requests the Trade and Development Board to provide for meetings of the Intergovernmental Group of Experts on Competition Law and Policy operating within the framework of the Commission on Investment, Technology and Related Financial Issues of the United Nations Conference on Trade and Development in accordance with paragraph 110 of "A Partnership for Growth and Development".

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Fifty-first session
Agenda item 39

THE SITUATION IN AFGHANISTAN AND ITS IMPLICATIONS FOR INTERNATIONAL PEACE AND SECURITY

Letter dated 16 May 1997 from the Permanent Representative of the Netherlands to the United Nations addressed to the Secretary-General

I have the honour to draw your attention to the statement issued on 14 May 1997 by the Presidency of the European Union on the preservation of the Afghan cultural heritage.

I should be grateful if you would have the text of this letter and its annex circulated as a document of the General Assembly under agenda item 39.

(Signed) N. H. BIEGMAN
Permanent Representative of the
Netherlands to the United Nations

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ANNEX

[Original: English and French]

Statement issued on 14 May 1997 by the Presidency of the European Union on the preservation of the Afghan cultural heritage

The European Union is deeply concerned about threats made by certain representatives of the Taliban side to blow up the "Blind Buddhas of Bamiyan" which are silent witnesses of Afghanistan's rich cultural heritage of incalculable archaeological value.

The European Union deplores the destruction of archaeological sites and historical monuments.

The European Union warmly welcomes the recent assurances of leading representatives of the Taliban that the two Buddhist monuments will not be destroyed.

The European Union would like to recall the Convention of 16 November 1972 concerning the Protection of the World Cultural and Natural Heritage. As a State party to that Convention, Afghanistan has recognized its primary duty to ensure the identification, protection, conservation, presentation and transmission to future generations of, inter alia, the cultural heritage situated on its territory.

In the context of that Convention, the European Union firmly appeals to all Afghan parties to take appropriate steps to prohibit, prevent and, if necessary, put a stop to any form of theft, pillage or misappropriation of, and any acts of vandalism directed against the cultural property of the Afghan nation.

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16 May 1997

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Fifty-first session
Agenda items 8 and 97 (a)

ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK

ENVIRONMENT AND SUSTAINABLE DEVELOPMENT: IMPLEMENTATION OF THE DECISIONS AND RECOMMENDATIONS OF THE UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT

Letter dated 16 May 1997 from the Chairman of the Second Committee addressed to the President of the General Assembly

I refer to the report of the Intergovernmental Negotiating Committee for the Elaboration of an International Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa, on the first part of its tenth session (A/52/82). Section B of appendix II to that report contains a draft decision entitled "Use of the Special Voluntary Fund and the Trust Fund", which was recommended to the General Assembly for adoption.

In the light of the importance of this decision in ensuring the full and effective participation of developing countries affected by desertification and drought, in particular the least developed countries, in the first Conference of the Parties, to be held in Rome from 29 September to 10 October 1997, I would kindly request that item 97 (a) entitled "Environment and sustainable development: implementation of the decisions and recommendations of the United Nations Conference on Environment and Development" of the fifty-first session of the General Assembly be reopened, in order to take appropriate action on this draft decision at the earliest date.

(Signed) Arjan P. HAMBURGER
Chairman of the Second Committee

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16 May 1997

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GENERAL ASSEMBLY
Fifty-first session
Agenda item 58
QUESTION OF CYPRUS

SECURITY COUNCIL
Fifty-second year

Letter dated 15 May 1997 from the Permanent Representative of Turkey to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith a letter dated 13 May 1997, addressed to you by His Excellency Mr. Osman Ertuğ, representative of the Turkish Republic of Northern Cyprus.

I should be grateful if the text of the present letter and its annex would be circulated as a document of the fifty-first session of the General Assembly, under agenda item 58, and of the Security Council.

(Signed) Hüseyin E. ÇELEM
Ambassador
Permanent Representative

ANNEX

Letter dated 13 May 1997 from Mr. Osman Ertuğ addressed to the Secretary-General

I have the honour to refer to the letter dated 9 May 1997 addressed to you by the Greek Cypriot representative at the United Nations, which was circulated as document A/51/895-S/1997/364 dated 12 May 1997.

At the outset, I wish to stress that the depiction as "invasion" or "occupation" of the fully legal and justified intervention by Turkey in 1974, which was necessitated by the preceding coup d'état staged by Greece in order to annex Cyprus, is pure distortion aimed at misleading world public opinion. As for the issue of the legality of the two independent political entities or States currently existing on the island, I wish to point out that the Turkish Republic of Northern Cyprus derives is legitimacy from the free and democratic will of the Turkish Cypriot people who, in the special circumstances of Cyprus, are no less entitled to the right of self-determination than the Greek Cypriot people. It is rather the Greek Cypriot side's claim to be the Government of the whole island in total disregard of the relevant 1960 agreements that has no basis in law or in fact.

As regards the sale of immovable property in the north, this is totally within the authority and jurisdiction of the Turkish Republic of Northern Cyprus in accordance with the relevant legislation currently in force within the Republic. It should also be pointed out that the Greek Cypriot administration, which is guilty of confiscating Turkish Cypriot properties and driving the Turkish Cypriot population into 3 per cent of the island's territory between 1963-1974, is currently allowing the use, development and even transfer of Turkish Cypriot properties in the south.

Indeed, the Greek Cypriot administration has, over the years, enacted legislation concerning the utilization of Turkish Cypriot immovable properties (law No. 139/1991). In effect, the Greek Cypriot administration has issued ownership certificates to Greek Cypriot citizens for houses built on Turkish Cypriot property in the south.

A recent example of the utilization of Turkish Cypriot immovable property in the south involves 50 donums (approximately 12.5 acres) in the vicinity of Mormenekse (Dromolatsia) village that had been earmarked as the site of a sports complex. According to the Greek Cypriot press (Haravgi dated 22 March 1997) it was later allocated to a Greek Cypriot politician by the Greek Cypriot Interior Ministry, causing a public uproar and calls for "transparency" in respect of Turkish Cypriot properties in the south.

Meanwhile, in spite of the Greek Cypriot side's efforts to maintain a secrecy over the issue for obvious political reasons, reports have surfaced regarding the imminent issuance of as many as 4,000 title deeds to Greek Cypriots. The Greek Cypriot daily Fileleftheros of the same date has reported that "one of the biggest problems in this regard is the requisition of the property on which houses are built ... because nearly half of the property on

which houses have been built belongs to Turkish Cypriots who can later demand compensation".

The issue of abandoned property is common to both communities. The Turkish Cypriot community has left a comparable amount of immovable property in the south as the Greek Cypriot community has left in the north. This is a subject to be taken up and finalized between the two sides at the intercommunal talks within the framework of a bi-communal, bi-zonal federal settlement. As you are well aware, the parameters within which reciprocal property claims by both sides can be settled are outlined in the United Nations set of ideas of 1992, which envisages a global solution to this issue through property exchange and/or compensation. This is a natural consequence of the population exchange agreement reached between the two sides at Vienna on 2 August 1975, which was implemented under United Nations supervision in September 1975, paving the way for a bi-zonal, federal settlement.

The exploitation of this issue by the Greek Cypriot side for propaganda purposes is clearly aimed at prejudicing a bi-zonal settlement, which has been universally accepted as a fair and realistic solution. Its attempt, on the other hand, to drag Turkey into this matter, by citing a short-sighted, politically inclined court decision, has similar ulterior motives. It should be borne in mind that Turkey's role in Cyprus is limited to providing security guarantees to the Turkish Cypriots and preventing the repetition of Greek Cypriot aggression against them.

It is unfortunate that particularly at a time when efforts are being made to resume the direct talks, stalled since 1994 as a result of Mr. Clerides' refusal to sit at the negotiating table, the Greek Cypriot side should resort to such harmful propaganda in order to mislead the world about the Cyprus question in general as well as on the specific, complex issues surrounding it. This can only be interpreted as another demonstration of the other side's insincerity about a bi-communal, bi-zonal federal settlement and its continuing unwillingness to engage in serious negotiations to that end.

I should be grateful if the text of the present letter could be circulated as a document of the General Assembly, under agenda item 58, and of the Security Council.

(Signed) Osman ERTUĞ
Representative
Turkish Republic of Northern Cyprus